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**FISCAL IMPACT STATEMENT**

**LS 6969**

**BILL NUMBER:** SB 383

**NOTE PREPARED:** Jan 25, 2006

**BILL AMENDED:** Jan 24, 2006

**SUBJECT:** Motor Vehicle Title Loans.

**FIRST AUTHOR:** Sen. Steele

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                              **X DEDICATED**  
                              **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** (Amended) The bill provides that certain lenders may make loans for which the collateral is title to a motor vehicle. This bill provides that the interest rate for a motor vehicle title loan may not exceed 22%. The bill requires a motor vehicle title lender to provide certain warnings to borrowers. This bill sets forth procedures for: (1) repossessing a motor vehicle if a borrower defaults on a motor vehicle title loan; and (2) redeeming the title to a repossessed motor vehicle. The bill also prohibits certain actions by motor vehicle title lenders and imposes penalties for violations.

**Effective Date:** July 1, 2006.

**Explanation of State Expenditures:** (Revised) *Department of Financial Institutions:* The Department of Financial Institutions (DFI) would see an increase in administrative duties under the bill. The DFI would be authorized to adopt rules to implement the proposed motor vehicle title lender provisions. The DFI has indicated that additional examiners would need to be trained to carry out the regulation of title lending.

*Bonding:* Motor vehicle title lenders would be required to post a bond with the DFI in the amount of \$50,000 per location of business to a maximum bond of \$500,000.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative

and administrative actions.

As of January 23, 2006, the DFI had three vacant positions with salary valued at \$148,356. The DFI was appropriated \$7.4 M in dedicated funds for FY 2006.

**Explanation of State Revenues:** (Revised) *Department of Financial Institutions:* The Department of Financial Institutions, under current law, has authority to set fees for regulation of financial institutions. Therefor, the Department could set fees that could mitigate the additional costs associated with title lending regulation.

*Civil Penalties:* The bill would establish a civil penalty for violations of provisions of the bill on motor vehicle title lenders. Penalties could be assessed in an amount up to \$2,000. Assessed penalties would be deposited into the state General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Financial Institutions.

**Local Agencies Affected:**

**Information Sources:** State of Indiana: *List of Appropriations July 1, 2005 to June 30, 2007.*

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